

Procedures Guide to the PERSI Choice Plan 401(k)

PERSI--Public Employee Retirement System of Idaho

1-866-437-3774 1-866-ID-PERSI www.persi.idaho.gov/choice.htm

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Section 1—Gain Sharing Overview, PERSI Choice Plan

Sharing in the Gains

The 2000 Idaho Legislature established a gain sharing program for the Public Employee Retirement System of Idaho (PERSI). This program, called the PERSI *Choice Plan*, became effective February 1, 2001, with the allocation of a *gain sharing contribution*.

PERSI contracted with Mellon HR & Investor Solutions, a business line of Mellon Financial Corporation, to provide record keeping and trust administration services on behalf of the PERSI Choice Plan. In 2005, the Mellon HR & Investor Solutions portion of Mellon Financial was acquired by Affiliated Computer Solutions, Inc. (ACS, Inc.) and is now referred to as “ACS HR Solutions” (ACS). In this capacity, ACS will establish and maintain an account for each actively working (and eligible) member. In 2001, the member’s participation in the program was established with the initial gain sharing contribution.

How Gain Sharing Originated

Investments from Base Plan

The Idaho Legislature was able to establish the PERSI *Choice Plan* (a defined contribution program) due to excess earnings in the PERSI *Base Plan* (its defined benefit program). Specifically, the Base Plan’s strong investment performance placed PERSI in a position to be able to share the excess earnings. The excess earnings from the Base Plan were used to fund and initiate the Choice Plan.

Choice Plan 401(k)

Although the program is referred to as the PERSI Choice Plan, it is a 401(k) retirement plan within the meaning of the Internal Revenue Service Code. It allows participants to make contributions on their own behalf via salary deferral.

Idaho Super Saver 401(k) Plan

On October 1, 2001, the assets of the Idaho Super Saver 401(k) Plan (available only to State employees) were merged into the PERSI Choice Plan. This means that participants with balances in the Super Saver Plan had their balances transferred into the Choice Plan. Specifically, Super Saver account balances valued as of September 30, 2001, were transferred from those investment funds offered under the Super Saver Plan to funds with similar investment strategies offered under the Choice Plan. Upon merging the Super Saver assets into the Choice Plan, the former plan ceased to exist.

Choice Plan participants with prior Super Saver account balances are able to track these balances because ACS segregates them from new contributions and reports them separately on participant statements and other media.

- ◆ Idaho Super Saver 401(k) Plan terminated in 2001
- ◆ Super Saver Plan assets transferred to the PERSI Choice Plan 401(k) in October 2001

How Gain Sharing Works

PERSI’s Fiscal Year ends on June 30. Each year, that date will be used to determine PERSI’s funding status for the year. Each October, the Retirement Board will determine if the PERSI Base Plan’s funding is sufficient to pay all benefits and other plan expenses, as well as meet reserve requirements.



If excess earnings occur, the Board may decide to grant a gain sharing contribution for allocation to the Choice Plan.

PERSI is not obligated to make a gain sharing contribution to the Choice Plan each year. The decision to allocate a gain sharing contribution will be driven by the investment performance of the Base Plan and the funding levels necessary to distribute benefits and pay expenses.

The Retirement Board is first and foremost responsible for ensuring that PERSI is on a solid funding basis before approving a gain sharing contribution for the year.

Allocation of the Gain Sharing Contribution

- ◆ Annually, the Base Plan is audited for excess earnings.
- ◆ If excess earnings exist, those earnings may be directed to the Choice Plan.
- ◆ These excess earnings fund the gain sharing contribution.

How Gain Sharing Contributions are Calculated

If the PERSI Board determines a gain sharing contribution will be made, eligible working members will receive such a contribution as a deposit in their PERSI Choice Plan account. The dollar amount allocated to each member is based upon his/her account balance in the PERSI Base Plan as of the Fiscal (and Plan) Year End. *For 2000, the gain sharing contribution was equal to approximately 4.51% of the individual's Base Plan account balance as of June 30, 2000.* This translated into a total gain sharing contribution of over \$59 million across the entire PERSI Choice Plan. The dollar amount contributed on behalf of each participant is based on a fixed formula that was determined by PERSI. The formula is as follows:

Individual Employee's Gain Sharing Contribution =
[Member's Total Account Balance]

$$\frac{\text{Member's Base Plan Account Balance}}{\text{Total Base Plan Account Balance}} \times \text{Total Gain Sharing Dollars Allocated}$$

[Total of All Members' Account Balances]

Examples Using Year 2000 Figures

A	B	C	D
Employee's Account Balance in PERSI Base Plan (6/30/00)	Total Employee Account Balance in PERSI Base Plan (6/30/00) = \$1,296,158,573	Total Gain Sharing Dollars to be Allocated = \$59,044,780	Employee's Gain Sharing Contribution for 2000
Employee #1: \$10,000	Divide column A by \$1,296,158,573	Multiply result of column B by \$59,044,780 to yield employee's Gain Sharing contribution	Employee #1: \$456
Employee #2: \$24,475*			Employee #2: \$1,115
Employee #3: \$50,000			Employee #3: \$2,278

*\$24,475 was the average member's account balance in the PERSI Base Plan as of June 30, 2000.

Contributions in a given year

Although the formula for calculating each individual's contribution is fixed, the total gain sharing contribution to be allocated in any given year will vary depending upon the



investment performance of assets in the PERSI Base Plan. Hence, the dollar amounts used in Columns B and C above specifically relate to the Year 2000 gain sharing contribution allocation. The total gain sharing contribution allocation in subsequent years may differ.

Minimum Gain Sharing Contribution

Given the costs associated with establishing and maintaining individual accounts under the PERSI Choice Plan, gain sharing contributions less than a specific amount will not be allocated. For the year 2000, the minimum contribution was set at \$38. (This minimum may be adjusted annually.) Generally, only members with very small monthly salaries such as part-time elected or appointed officials will be affected by this minimum standard.

Special 13th Check for Retirees

In 2001, PERSI also shared excess earnings from the Base Plan with retirees receiving a regular monthly retirement benefit. A special “13th Check” representing a gain sharing distribution was paid to PERSI retirees in mid-January 2001. These gain sharing distributions were separate from the \$59 million that was allocated to active working members.

Eligibility Requirements for Gain Sharing

To be eligible to receive a gain sharing contribution for the year, an employee must:

- ◆ have twelve months of membership service, and
- ◆ be an active member at the end of the fiscal year (June 30).

Active Member

For gain sharing purposes, included in this class of active members are:

- ◆ Seasonal employees with a history of employment as PERSI members that includes at least 6 months of service in each of the preceding three consecutive years.
- ◆ Employees on leave of absence on the last day of the fiscal year (June 30) and either:
 - return to active service for at least 30 days prior to December 31;
 - or
 - are eligible for benefits under the Uniformed Services Employment and Re-employment Rights Act of 1994 (USERRA). Members whose employment is interrupted due to military service should check with their PERSI employer about gain sharing eligibility for the year.

Active as of June 30

For each year, a member must be active as of June 30 that year in order to be eligible for a gain sharing contribution. Simply stated, eligibility for a gain sharing contribution is reviewed each year. PERSI monitors eligibility and provides this information to ACS.

When are Gain Sharing Contributions Allocated?

Gain sharing contributions may be allocated once each year. If a gain sharing contribution is to be allocated for any given year, PERSI will calculate the contribution amount for each member and submit the data to ACS in late January. ACS will credit the contributions to members' accounts upon receipt. The initial gain sharing contribution (for active members as of June 30, 2000) was posted to members' accounts on February 1, 2001.



How were the Gain Sharing Contributions Invested?

Like contributions to the Base Plan, members' gain sharing contributions to the Choice Plan were invested in the **PERSI Total Return Fund**.

The PERSI Total Return Fund is an investment portfolio containing a broad range of domestic and international assets, with most of its assets in U.S. stocks and bonds. The mix of investments is chosen to best match PERSI's long-term return requirements. Those requirements are driven by a need to keep pace with inflation—both to match increases in active members' salaries and to provide Cost of Living Allowances for retired members. As a result, PERSI has approximately 70% of its investments in equity interests, which provide the best long-term protection against increases in inflation.

While equity investments can be more volatile from year to year than fixed income investments, PERSI is a *long-term* investor and looks to returns not on a year-to-year basis, but rather over a period of decades. In that longer time frame, equity returns have proved to be more stable and higher than fixed income returns.*

**Excerpt from the PERSI 1999 Comprehensive Annual Financial Report*

Who is eligible to participate in the PERSI Choice Plan?

Any employee who works for a PERSI employer and is an **active member** in the Base Plan (PERSI defined benefit program) is eligible to participate in the PERSI Choice Plan. This includes:

- ◆ Employees who work twenty hours or more per week and whose employment lasts for five or more consecutive months
- ◆ Teachers who work half-time or more, and whose employment is for five or more consecutive months
- ◆ Elected or appointed officials receiving salary, who hold their office for five or more consecutive months

Employees who are members of the Firemen's Retirement Fund, the Judge's Retirement Fund, and the Department of Labor Retirement Plan are also eligible to participate in the Choice Plan. These three classes of employees are not eligible for gain sharing.

Initially, the allocation of a gain sharing contribution established a member's participation in the PERSI Choice Plan. Effective July 1, 2001, any employee who meets the basic eligibility requirements listed above is immediately eligible to make voluntary contributions to the Plan via payroll deduction. Employees do not need to wait to receive an annual gain sharing contribution in order to be eligible.



Section 2—Beyond Gain Sharing Contributions

Other Choice Plan Contributions

In addition to gain sharing, the PERSI Choice Plan permits five other types of contributions:

- ◆ Employee Voluntary
- ◆ Employer
- ◆ Rollovers
- ◆ Prior Employee Voluntary—Idaho Super Saver Plan conversion
- ◆ Prior Rollovers—Idaho Super Saver Plan conversion

Employee Voluntary

Employees make these contributions through payroll deduction on a pre-tax basis.

Employees submit a Deferral Election Form to their employer, electing to defer from 1% to 100% of their available salary per payroll period. *Because of additional mandatory and voluntary payroll deductions, participants may not actually be able to defer 100% of their gross wages.*

Employees must contribute at least \$130 per year. No contribution may be less than \$130 divided by the number of payroll cycles for the year. For employees paid weekly, at least \$2.50 must be deducted from one's salary in order to meet the \$130 annual minimum.

Catch-Up Contributions

If participants are age 50 or older, they may make a special “catch-up” contribution to a 401(k), 403(b), or governmental 457(b) plan. The chart below shows the total pre-tax contribution they can make.

Year	Annual 401(k), 403(b), and 457 Plan Deferral Limits	Plus Annual Catch-Up Contribution Allowed
2007	\$15,500	\$5000
2008 and thereafter	Indexed in \$500 increments	Indexed in \$500 increments

A participant must turn age 50 by the end of the plan year in order to make the contribution for that plan year. For example, if a participant reaches age 50 on March 31, 2007, he/she can contribute an additional \$5,000 to the plan in 2007. This catch-up contribution is not subject to the annual deferral or Section 415 limits.

No action is required on the participant's part to take advantage of this catch-up provision other than increasing his/her deferral on the Choice Plan 401(k) Enrollment Form. Any contributions a member makes over the deferral limit (\$15,500 for 2007) will automatically be considered catch-up contributions (up to the catch-up limit).

Employer

Two types of Employer contributions are permitted under the Plan: *Employer Matching* and *Additional Employer*.



Employer Matching

Employees *may* receive these contributions as a match to their own Employee Voluntary contributions. Specifically, PERSI employers have the option of making a regular, on-going contribution that is *based upon the amount the employee has elected to defer from his/her own salary*. These contributions are *discretionary* on the part of each PERSI employer (i.e. they are not required by the Plan).

If an employer makes a regular matching contribution, that employer will determine the formula used to calculate the match. Hence, the matching rate may differ across employers and work locations/associations. An Employer Matching contribution is based upon the Employee's Voluntary (salary deferral) contributions.

Additional Employer

Employees may receive a *one-time or irregular* contribution from their employers. These contributions are *discretionary* (not required by the Plan) and may be funded from the credit individual PERSI employers receive due to gain sharing. Additional Employer contributions are determined annually or irregularly by each individual employer. If an employer decides to make an additional contribution, that employer will determine the unique rate or formula for calculating the contribution for all employees at that office or location. Simply stated, the contribution rate or formula may differ from one employer to another.

Note: All Employer Matching contributions and Additional Employer contributions are credited to a single "Employer Contribution" account for each participant. Both types of contributions credited to a participant's account are combined and reported as one balance.

Rollovers

Participants have the option of rolling over balances from their prior employer's eligible retirement plans [401(a), 401(k), 403(a), 403(b), and 457 plans] or IRAs, provided that these balances qualify for tax-free rollover treatment. All rollover contributions must be received in the form of cash. In-kind contributions (in the form of shares) are not eligible for rollover.

Prior Employee Voluntary

Former participants of the Idaho Super Saver 401(k) Plan made these contributions through payroll deduction on a pre-tax basis. In October 2001, these 401(k) balances were transferred into the Choice Plan as part of the merger. (The Super Saver Plan terminated in 2001, and all of its assets were transferred into the Choice Plan based upon September 30, 2001, market values.) These Super Saver employee pre-tax balances are reported separately from new Employee Voluntary contributions made by the participants after they join the Choice Plan. To distinguish between the two sources of employee pre-tax contributions, the former Super Saver balances are called "Prior Employee Voluntary." The term "prior" refers to the prior (Super Saver) Plan.

Prior Rollovers

Former participants of the Idaho Super Saver 401(k) Plan who had a Rollover contribution account and/or an Annuity Rollover account under that Plan, also had these balances transferred into the Choice Plan as part of the plan mergers. To distinguish between the Rollover monies transferred from the Super Saver Plan and any new Rollover balances



brought in after the merger, the former Super Saver monies are called “Prior Rollover.” Similar to the “Prior Employee Voluntary” account described above, the term “prior” in this case also refers to the prior (Super Saver) Plan.

Note: Both **Prior Employee Voluntary** and **Prior Rollover** accounts are closed to new or additional contributions. Both accounts simply contain the balances converted from the Super Saver Plan. A primary reason for reporting these balances separately is that former Super Saver participants are eligible to receive a withdrawal from these accounts upon attaining age 59½. ACS will maintain the prior balances separately for distribution purposes. Although both Prior accounts are closed to additional contributions, they receive investment earnings in the form of interest and dividends.

Vesting

Participant balances are 100% vested in the Choice Plan at all times.

Beyond the PERSI Total Return Fund

Effective May 1, 2001, ten other funds were added as investment options under the PERSI Choice Plan. Participants are able to transfer their gain sharing contribution balances from the PERSI Total Return Fund (the fund in which they were originally deposited) to all other investment options within the full menu of eleven funds. Furthermore, participants also direct how their other contribution types (Employee Voluntary, Prior Employee Voluntary, Employer, Rollover and Prior Rollover) will get invested across the full eleven-fund menu.

Choice Plan Investment Funds Menu—increasing order of risk, most conservative at top

1. SEI Stable Value Fund
2. Mellon Aggregate Bond Index Fund
3. Dodge & Cox Fixed Income Fund
4. PERSI Total Return Fund
5. Mellon S&P 500 Stock Index Fund
6. Mellon Wilshire 5000 Stock Index Fund
7. Vanguard Growth & Income Fund
8. Dreyfus Premier MidCap Stock R Fund
9. T. Rowe Price Small Cap Stock Fund
10. Mellon International Stock Index (EAFE) Fund
11. Brandes International Equity Fund

Transfer of Fund Balances

From the Idaho Super Saver 401(k) Plan to the PERSI Choice Plan

Scudder Investments provided record keeping and trust administration services for the Idaho Super Saver Plan. Upon merging the assets of the Super Saver Plan into the PERSI Choice Plan during October 2001, participants' account balances were transferred out of those investment funds offered by Scudder into the new funds offered under the Choice Plan which is now serviced by ACS. Outstanding participant loan balances were also transferred from Scudder into a Loan Fund established by Mellon (now ACS). This table depicts how participant account balances were divested from the Super Saver Plan and invested in the Choice Plan. This process is referred to as *investment mapping*. Balances are transferred (mapped) from one fund to another with a similar investment strategy. This maintains the integrity of the participant's prior asset allocation.



Idaho Super Saver 401(k) Plan	PERSI Choice Plan
If the participant's balance was invested in...	It was transferred into...
Scudder U.S. Treasury Money Fund	SEI Stable Value Fund
Scudder Income Fund	Dodge & Cox Fixed Income Fund
Scudder Pathway Balanced Portfolio	PERSI Total Return Fund
Scudder Stock Index	Mellon S&P 500 Stock Index Fund
Scudder Large Company Growth Fund	Mellon S&P 500 Stock Index Fund
Scudder Growth & Income Fund	Vanguard Growth & Income Fund
Scudder Value Fund	Vanguard Growth & Income Fund
Scudder 21 st Century Growth Fund	Aetna Small Company I Fund. In 2003, this was transferred to Dreyfus Premier Mid Cap Stock Fund
Scudder International Fund	Brandes International Equity Fund

Total Return Fund as the Default Investment

The PERSI Total Return Fund is the default investment option for the Choice Plan. All contributions are automatically invested in the Total Return fund, unless otherwise directed by the participant. The Enrollment Kit for new participants includes a statement about the default feature. Specifically, participants are instructed to change their Investment Elections if they want their future contributions to be allocated to any other fund(s).

Daily Valuation of all Investment Funds

All eleven investment funds offered by the Choice Plan are valued on a daily basis. This means that for any day on which the stock market is open for business and transacts normal business activities, a net asset value (referred to as the NAV) is calculated for each fund. This daily pricing not only allows a fund's total assets to be valued daily, but allows participants to obtain a current, up-to-date balance of their accounts as of any business day.

Whereas most funds utilize share accounting, the PERSI Total Return Fund employs unitized accounting. As part of its trust administration services, Mellon calculates a daily unit value or NAV for this fund. To ensure the trust records for each fund match the total of all participants' accounts, record keeping and trust systems are reconciled daily.

How to Enroll Participants in the PERSI Choice Plan

A Choice Plan account is automatically created for each new PERSI-eligible employee when PERSI sends the employer transmittal information to ACS. ACS sends the member a six-digit Personal Identification Number (PIN) needed to access the account via the toll-free automated Voice Response System (VRS) and the Internet. ACS also sends the new employee an Enrollment Kit. Employers may also request Enrollment Kits from PERSI. The kit contains the following documents:

- ◆ Investment Education Guide/Folder
- ◆ Plan Highlights Brochure
- ◆ Prospectus for the Total Return Fund
- ◆ Fund Fact Sheets for all other investment options
- ◆ Deferral Election Form



◆ Fund Transfer Worksheet

How the Process Works

1. The employee completes the Deferral Election Form, electing to defer a percentage (ranging from 1% to 100%) of salary on a pre-tax basis as voluntary contributions to the Plan. This is referred to as the “**Deferral Percent Election.**”

Note: While employees may defer up to 100% of compensation, that percentage is limited by other mandatory and voluntary deductions, such as PERSI, FICA, and medical insurance.

2. The employee gives the employer the completed Deferral Election Form which is kept in the employer's records. The employer submits the contribution amount to PERSI via the transmittal process. PERSI calculates the participant's deferral percent (salary reduction amount divided by gross compensation for the payroll period), and provides the deferral election information to ACS.
3. When PERSI submits the first employee voluntary contribution for the new participant, the entire amount is deposited into the PERSI Total Return Fund which is the Choice Plan's default investment option. To invest future (not yet deducted) contributions in other investment options, participants complete a **change of investment election** via the VRS or Internet. Then, all future contributions are invested in accordance with the participant's personal allocation choices. Instructions for changing investment elections are included in the Choice Plan Enrollment kit.
4. To move the employee voluntary contributions that were initially invested in the PERSI Total Return Fund to other investment options, participants must do an **interfund transfer**. Interfund transfers are also executed through the VRS, an ACS CSR, or the Choice Plan web site. Instructions are included in the Choice Plan enrollment kit.

Idaho Super Saver 401(k) Plan Participants Enrolled in the Choice Plan

When the participants' account balances were transferred from the Super Saver Plan to the Choice Plan, Mellon (now ACS) established a new account for each participant on its record keeping system. A confirmation statement containing a six-digit PIN number was mailed to each participant's address of record.

If the Super Saver Plan participant received a gain sharing contribution in February 2001, he/she was enrolled in the PERSI Choice Plan prior to October. In this case, Mellon simply transferred the individual's Super Saver balances into the account previously established on his/her behalf. A PIN confirmation statement was not mailed to the participant because he/she received a PIN earlier in the year.

As part of the conversion from Scudder to Mellon, the deferral percent elections in effect for each participant under the Super Saver Plan were carried over to the Choice Plan. Therefore, former Super Saver participants did not have to make a new Choice Plan deferral election. Their voluntary contributions were not interrupted. As of October 1, 2001, all of the incoming Employee Voluntary contributions were re-directed and deposited into the Choice Plan.

Finally, the investment election for all former Super Saver participants was set to 100% for the PERSI Total Return Fund. All contributions received after October 1, 2001, were automatically invested in the Choice Plan's default investment fund. This initial investment election mirrors the procedure that applies to all employees who join the Plan as new participants.



For those Super Saver participants who were already enrolled in the Choice Plan because they received a gain sharing contribution in February, their investment elections were not automatically set to 100% for the PERSI Total Return Fund. Rather, their elections were in accordance with the investment choices they made with respect to their Employee Voluntary (salary deferral) contributions.

Transfer of contributions

- ♦ **Idaho Super Saver 401(k) Plan**—deferral percent elections for Employee Voluntary contributions carried over intact to the Choice Plan 401(k).
- ♦ **PERSI Choice Plan 401(k)**—employee voluntary contributions received after October 1, 2001, initially deposited into the PERSI Total Return Fund.

How to Change a Deferral Percent/Investment Election

Deferral Percent Changes

Participants complete a Deferral Election Form to initially select how much of their salary (1% - 100%) will be deferred as employee voluntary contributions when they first enroll in the Plan. If a participant decides to change the deferral percent at any time after the initial election is made, he/she must complete a new Deferral Election Form and submit it to the employer. PERSI employers can set limits for how often employees are allowed to make deferral percent changes.

PERSI submits all deferral percent changes to ACS via an electronic data file. ACS mails a statement to the participant's address of record confirming the deferral percent change within two business days of processing the request.

Investment Election Changes

Upon enrolling in the Choice Plan, all new participants have their investment elections set to 100% for the PERSI Total Return Fund (the Plan's default investment option). This means that all future (not yet received) contributions will be invested entirely in the Total Return Fund. To change this default election at any time after enrollment, participants must execute an Investment Election Change via the toll-free VRS, an ACS CSR or the Internet.

When an investment election change is made, all future contributions and loan repayments if applicable (including Employee Voluntary, Employer, Gain Sharing, and Rollover) will be invested in accordance with the election. All investment elections are made in 1% increments and must total 100%.

ACS mails a statement to the participant's address of record confirming the investment election change within two business days of processing the request.

Transfer Balances Between Investment Funds

Participants are allowed to transfer their existing account balances among all eleven funds offered under the Choice Plan. Participants execute interfund transfers via one of the standard three methods: (a) Voice Response System, (b) ACS CSR, and (c) the Choice Plan web site.



Participants may initiate transfers 24 hours a day, 7 days a week (except via ACS CSRs who are available Monday through Friday 7:00 a.m. to 6:00 p.m. mountain time).

- ◆ Transfer requests received prior to 4:00 p.m. eastern time (2:00 p.m. mountain time) are processed using the funds' closing net asset values for that same business day.
- ◆ Requests received after 4:00 p.m. eastern time (2:00 p.m. mountain time) are processed at the next business day's closing net asset values.
- ◆ Requests received after 4:00 p.m. eastern time on Fridays and over weekends are processed at the close of business on the following Monday.
- ◆ Requests received on legal holidays are processed at the close of business on the next regular business day.
- ◆ ACS mails a statement to the participant's address of record confirming the fund transfers within two business days following the request.

Participant Loans

The Choice Plan permits two types of loans:

- ◆ General Purpose Loans
- ◆ Primary Residence Loans

Participants can call the Voice Response System or access the Choice Plan web site to model various loan scenarios. "Modeling" refers to the process by which a participant enters information using a touch-tone telephone or the Internet to generate estimated loan terms. By entering a proposed loan amount and number of monthly payments, participants can see the estimated monthly payment amount and determine how much would be deducted from their salary each payroll period.

General Purpose Loans

Participants may receive a general purpose loan from their Choice Plan account balance for any reason, without proof of the need or reason.

Active and suspended participants may request a general purpose loan by telephoning toll-free 1-866-437-3774 (1-866-ID-PERSI) and following the automated VRS instructions or by logging on to the Choice Plan Web site and submitting the loan request on-line. The participant needs his/her Social Security Number and PIN to submit a loan request through the VRS or Web site. If the request is approved, ACS mails the check to the participant within three business days. The participant's endorsement of the check confirms acceptance of the loan terms and conditions.

Participants may also initiate this type of loan by speaking directly with an ACS Service Representative. ACS will mail a Loan Package to the participant's address of record based upon the terms of the loan as desired by the participant at the time of request. The participant completes the loan application and returns it to ACS for processing. ACS processes the loan upon receipt of the completed application and mails a check directly to the participant's address on file within three business days.



Primary Residence Loans

Primary Residence Loans may only be requested for the purpose of purchasing a home (primary dwelling). Unlike the general purpose Loans, participants must provide proof of intent to purchase. Active or suspended participants request this type of loan in the same manner as a general purpose loan. Similarly, ACS mails a loan package directly to the participant based upon the desired terms of the loan at the time of request.

The participant completes the loan application and must also include proof of intent to purchase a primary residence. The participant returns the application and this additional documentation to ACS for processing. ACS reviews the application and primary residence documentation. If all documents are in good order, ACS processes the loan and mails a check directly to the participant's address on file within three business days.

Loan Package Mailed to Participants

When ACS mails a loan package between the 1st and 15th day of the month, the terms of the loan will apply until the 15th day of the following month. When a loan package is mailed between the 15th and last day of the month, the terms of the loan will apply through the last day of the following month. These timeframes allow participants sufficient time to complete the application and gather additional documentation (if necessary) for the loan. The loan package includes:

- ◆ Introductory Letter
- ◆ Loan Application
- ◆ Truth-in-Lending Disclosure Statement
- ◆ Promissory Note
- ◆ Amortization Schedule
- ◆ Intent to Purchase Information for Primary Residence Loans

Also included in the package is an information sheet detailing when the employee's loan payments will begin through payroll deduction. When ACS receives the completed loan application from the participant, it faxes this sheet to the central PERSI office. PERSI forwards this information on to the participant's employer/work location and to payroll so the loan payments start on time.

Loan Interest Rates

The interest rate for all new loans (General Purpose and Primary Residence) is equal to the Prime Rate plus 1% as published in the *Wall Street Journal* on the first business day of each month.

General Rules Applicable to Choice Plan Loans

The following general rules apply to all Choice Plan loans:

- ◆ Only one outstanding loan is permitted at any time.
- ◆ The maximum term for repaying a general purpose loan is five years.
- ◆ The maximum term for repaying a primary residence loan is ten years.
- ◆ The minimum amount that participants may borrow is \$1,000.



- ◆ The maximum amount that participants may borrow is equal to *the lesser of* 50% of the vested account balance minus the highest outstanding loan balance in the past twelve months or \$50,000.
- ◆ The amount available for a loan is based upon the participant's balance in his/her Rollover, Prior Rollover, Employee Voluntary, Employer, and Prior Employee Voluntary Contribution accounts. **gain sharing account balances are not included in the calculation of the maximum amount that is available for a loan.**
- ◆ Account balances are distributed in the following order when issuing a new loan:
 - 1st - Rollover account balances
 - 2nd - Prior Rollover account balances
 - 3rd - Employee Voluntary account balances
 - 4th - Employer Contribution account balances
 - 5th - Prior Employee Voluntary account balances
- ◆ Active and suspended participants may request a loan.
- ◆ Inactive participants may not take a loan.
- ◆ **Gain Sharing balances are not included in the loan amounts distributed.**

Making Loan Repayments

Participants will make loan repayments via salary (payroll) deduction. Repayments are made with after-tax earnings. When ACS receives loan repayments, it credits them to participants' accounts according to their current investment elections. If no election is on file with ACS, the repayments are invested in the PERSI Total Return Fund.

Repayments back to participant accounts will occur in the following order or sequence (which is the same order in which they were originally distributed).

- 1st - Rollover account balances
- 2nd - Prior Rollover account balances
- 3rd - Employee Voluntary account balances
- 4th - Employer Contribution account balances
- 5th - Prior Employee Voluntary account balances

The first repayment due on a new loan takes place as of the employee's first payroll cycle 60 days following the date on which the loan was originally processed.

Repaying a Loan in Full

Participants are entitled to pay off an outstanding loan in total at any time. *Partial loan repayments* (in amounts larger than the regularly expected loan repayments) *are not allowed*.

To pay off a loan in total, participants should call PERSI. PERSI will provide the exact dollar amount that is necessary to pay the loan in full after contacting the participant's payroll administrator to determine if further payments are scheduled to be sent.



The participant mails a bank-certified check made payable to “Mellon Bank N.A. as Custodian of the PERSI Choice Plan” for the total amount quoted by the ACS representative, along with a note explaining it is a loan payoff and including their name and Social Security Number. Participants should mail their checks directly to ACS. ACS will process the loan payoff upon receipt of the check. It will also notify PERSI that the loan payoff was processed, providing the participant’s name, Social Security Number, Location Code and the Loan Number. PERSI will forward this information on to the participant’s employer/work location so payroll records are updated and no further loan repayments are made via payroll deduction.

Defaulting on a Loan

As part of its administrative and record keeping services, ACS will mail a confirmation letter to participants who have not made regular loan repayments for approximately 60 days. The letter will inform the participants that unless they resume their regular payments, they will be in jeopardy of defaulting on their outstanding loan.

ACS will continue to monitor these participants’ accounts. If after another 30 days pass and no loan repayments have been received, ACS will mail a second confirmation letter. This letter will re-confirm their “delinquent” loan status and indicate that their loans will be defaulted within the next 30 days if no payment is made. If after another 30 days pass and still no loan repayments have been received, PERSI will formally authorize ACS to default such loans and record the unpaid balances as a distributable and taxable event from the participant’s Choice Plan account.

Each month, ACS provides PERSI with a delinquent loan status report. This report shows which participants have not made a loan payment for 60, 90, or 120 days. ACS also provides PERSI with a report that identifies participants who have defaulted on their loans. For purposes of this plan, a participant is deemed to be in default on a loan if he fails to make any installment payment by the last day of the calendar quarter following the calendar quarter in which the payment was due.

Note: When participants default on loans, they receive a Form 1099 for the unpaid balance and are liable for income taxes on this amount. 1099 forms are mailed by ACS in January for the preceding calendar year.

Distributions from the PERSI Choice Plan

The Choice Plan permits three classes of distributions:

- ◆ In-Service Withdrawals
- ◆ In-Service Transfers
- ◆ Termination Distributions

Participants who maintain current and on-going employment with PERSI are eligible to receive In-Service Withdrawals. Termination distributions are only available to participants who officially end their employment with PERSI.

In-Service Withdrawals

Three types of in-service withdrawals are allowed:

- ◆ Rollover Withdrawals



- ◆ Hardship Withdrawals
- ◆ Age 59½ Withdrawals (former Idaho Super Saver Plan funds only)

Rollover Withdrawals

Active or suspended participants (suspended refers to participants who have taken a hardship withdrawal within the past six months and are suspended from making Employee Voluntary contributions for six months) may withdraw some or all of their Rollover Contribution accounts. These withdrawals are limited to Rollover and Prior Rollover (former Super Saver Plan) balances. All such withdrawals are in the form of a single lump-sum cash payment. The Rollover and Prior Rollover account balances are withdrawn on a pro-rata basis from all funds in which they are invested.

Participants can transact these withdrawals without completing any forms or paperwork. To request a Rollover withdrawal, a participant:

- ◆ calls the Choice Plan VRS and follows the automated system prompts; or
- ◆ calls the Choice Plan VRS and speaks with an ACS CSR; or
- ◆ accesses his/her account through the Choice Plan Web site.

All sources report the maximum amount that may be withdrawn. The participant requests the proposed dollar amount via one of these methods. If the call or Internet request is completed by 4:00 p.m. eastern time on a business day, the withdrawal is processed on the same day. The check is mailed to the participant's address of record within three business days.

Note: Participants are instructed by the VRS or ACS CRS to read a special notice about income tax implications regarding plan distributions. This 402(f) notice is automatically mailed to the participant. If the withdrawal request is made via the Choice Plan web site, the employee can view the notice online and request the withdrawal immediately.

In summary, participants request Rollover Withdrawals directly from their own accounts. If a participant wants a Rollover Withdrawal but prefers not to complete the transaction via one of the three direct methods, he/she may request a Rollover Withdrawal kit through the VRS, an ACS CRS, or the web site, complete the forms, and return them directly to ACS for processing. Rollover withdrawals are not available to inactive participants.

Hardship Withdrawals

This type of withdrawal is permitted only for the purpose of relieving an immediate and heavy financial need due to:

- ◆ Payment of medical expenses not reimbursed by health insurance
- ◆ Purchase of a primary residence (excluding mortgage payments)
- ◆ Payment of college tuition and related educational fees
- ◆ Payment necessary to prevent the participant's eviction from a principal residence or prevent foreclosure on the mortgage attached to a principal residence.

The actual withdrawal amount requested by the participant must be sufficient to satisfy the immediate need created by the hardship situation.



For the specific dollar amount necessary to relieve the immediate and heavy financial need, the following must be met.

1. Employees must first exercise all other loan or withdrawal options, including the in-service Rollover Withdrawal option (to the extent that rollover contribution balances exist).
2. Upon receipt of a hardship withdrawal, an employee will be suspended from making Employee Voluntary (pre-tax) contributions via payroll deduction for a six-month period.

The hardship conditions and the additional criteria are collectively referred to as the “safe harbor” standards that govern defined contribution retirement plans.

Hardship Withdrawal Details

Active or suspended participants may withdraw some or their entire Employee Voluntary (pre-tax) contribution balances minus any earnings. *This withdrawal option is limited to employee voluntary and prior employee voluntary (former Super Saver Plan) contribution balances only.*

Participants are not permitted to withdraw balances from Employer, Gain Sharing, Rollover, or Prior Rollover accounts. All such withdrawals are made in the form of a single lump-sum cash payment. The employee voluntary and prior employee voluntary balances are withdrawn on a pro-rata basis from all funds in which they are invested.

Depending upon financial need, a recipient may be permitted to take more than one hardship withdrawal within a year.

When a hardship withdrawal is distributed, the recipient may be required to pay a 10% IRS penalty for early withdrawal from the Plan (if he/she is under age 59½) in addition to regular income taxes.

A hardship withdrawal requires the completion of a special form.

Hardship Withdrawal Process

1. Participants initiate the process by accessing their account via the VRS, internet or by speaking with an ACS CSR.
2. The participant requests a Hardship Withdrawal Kit, completes the Hardship Application Form, and attaches the necessary documentation to demonstrate that an immediate and heavy financial need exists.
3. The participant returns the Application and all paperwork to ACS for review and approval based upon the “safe harbor” regulations.
4. If ACS approves the hardship withdrawal, it processes the distribution and mails a check to the participant within three business days. ACS contacts PERSI to report that the hardship withdrawal was processed.
5. PERSI then contacts the individual's employer and instructs them (via a memo or letter) to set the individual's Deferral Percent Election to zero and suspend contributions for six months.



6. Approximately six months later, ACS sends a letter to the employee, reminding him/her that the suspension period is ending and to resume making contributions to one's account.
7. Hardship withdrawals are **not available to inactive participants**.

Age 59½ Withdrawals

Only **active or suspended** participants with “prior” balances from the Idaho Super Saver 401(k) Plan may request this type of withdrawal.

Furthermore, as its name implies, the withdrawal is available to participants upon attaining age 59 years 6 months.

The withdrawal is limited to the value of the participant’s Prior Employee Voluntary and Prior Rollover accounts. No new balances that were contributed directly to the Choice Plan (beginning October 1, 2001, and later) may be withdrawn.

Age 59½ withdrawals are considered a protected benefit for former Super Saver participants whose accounts were transferred into the Choice Plan. Only former Super Saver Plan participants are eligible to receive this type of distribution. No exceptions will be made to this withdrawal provision.

All such withdrawals are made in the form of a single lump-sum cash payment. The prior account balances are withdrawn on a pro-rata basis from all funds in which they are invested. Participants can transact these withdrawals without completing any forms or paperwork.

To request an Age 59½ withdrawal, a participant:

- ◆ calls the Choice Plan VRS and follows the automated system prompts; or
- ◆ calls the Choice Plan VRS and speaks with an ACS CSR; or
- ◆ accesses his/her account through the Choice Plan Web site.

All sources report the maximum amount that may be withdrawn. The participant requests the dollar amount via one of these methods. If the call or Web site request is completed by 4:00 p.m. eastern time on a normal business day, the withdrawal is processed on the same day. The check is mailed to the participant's address of record within three business days. (Prior to actually executing the request, the participant will be guided by the VRS or advised by an ACS CRS to read a special notice about income tax withholding on plan distributions. This 402(f) notice will automatically be mailed to the employee. If the withdrawal request is made via the Web site, the employee will be able to view the notice online and request the withdrawal immediately.)

In summary, participants request Age 59½ withdrawals directly from their own accounts. If a participant wants to receive this type of withdrawal but prefers not to complete the transaction via one of the three direct methods, the participant may request a Withdrawal kit through the VRS, an ACS representative or the Choice Plan Web site, complete the forms upon receipt, and return them directly to ACS for processing. Age 59½ withdrawals are **not available to inactive participants**.



In-Service Transfers

Trustee-to-Trustee Transfers

Trustee-to-trustee transfers can take place for Repayment of Separation Benefits, Buy Back of Waiting Periods, or Repayment of Delinquent Contributions.

Participants, while still working, may transfer funds from the Choice Plan to the PERSI Base Plan for the repayment of separation benefits and delinquent contributions and to buy back waiting periods. In order to take advantage of this new option, participants need to contact PERSI and complete the appropriate paper work.

If members have previously initiated a Payment Agreement for payroll deductions and have begun making those payments, the Payment Agreement is irrevocable, and they cannot take advantage of this In-Service transfer of funds.

Termination Distributions

If a participant separates from employment with PERSI, the participant has several distribution options.

A. Purchase of Service (at time of retirement only)

Regardless of the total account balance at the time of severance, if a participant *retires*, he/she will have the opportunity to *convert all or some portion of their Choice Plan account* to purchase up to four years of credited service under the PERSI Base (Defined Benefit) Plan. Under this option, the participant can purchase additional years of service to increase their monthly payment from the Base Plan.

Some important points to keep in mind about this option:

1. Retirees may convert all or some portion of their account balance. If the entire balance is not converted, the retiree must elect one of the other distribution options with regard to the remaining (non-converted) portion.
2. In order to take advantage of the conversion option, the individual must have completed the necessary PERSI Base Plan Purchase of Service paperwork within the 90-day period preceding their retirement date.

For distributions for retirement and other types of severance, the options available to participants depend upon the total account balance as of the date they sign the Distribution/Rollover Form. A threshold of \$5,000 determines the list of options from which they can choose.

Participants with Account Balances Greater Than \$5,000

Participants with account balances greater than \$5,000 at the time a request is made can choose from among the following options or any combination of these options.

B. Lump Sum Distribution (in the form of a check)

Lump sum payments will be subject to the mandatory 20% federal income tax withholding (and any applicable state income tax). For participants under the age of 59½, the federal government may also impose a 10% early distribution penalty.

C. *Defer the Distribution*
The participant may elect to leave his/her balance in the Choice Plan until a later date, including retirement date. Given there has been no distribution of the account, the participant defers payment of income taxes.



Note: Participants who select this option will be assessed an annual record keeping fee in order to maintain their account (currently set at \$30). Specifically, a record keeping fee of \$2.50 will be deducted from their accounts monthly (beginning with the calendar month commencing 90 days after the date they terminate or retire).

D. Rollover to an Eligible Retirement Plan or IRA

With this option, the participant does not take physical receipt of his/her account balance. Instead, it is *directly rolled over* to an IRA or eligible retirement plan. A major advantage of this option is the participant defers payment of income taxes on the total distribution amount. A spouse beneficiary can choose a direct rollover of all or any portion of the payment to another qualified retirement plan [401(a), 401(k), 403(a), 403(b), or 457] or a qualified Individual Retirement Account (IRA).

A non-spouse beneficiary can choose a direct rollover to an IRA established on behalf of the designated beneficiary that will be treated as an inherited IRA. The IRA must be established in a manner that identifies it as an IRA with respect to a deceased individual and also identifies the deceased individual and the beneficiary, for example, "Tom Smith as beneficiary of John Smith."

E. Installment Payments

With this option, participants receive a monthly payment from the Choice Plan until their account balance is depleted. Participants can choose their monthly installments to be paid in a flat dollar or fixed amount (the same dollar amount each month) or in substantially equal payments over a fixed period of time. Installment payments of a *fixed dollar* amount are paid until the account balance is depleted, but over a period not to exceed 120 months. Under the *substantially equal payments* method, the duration of installment payments may not exceed the period equivalent to the joint life expectancy of the participant and his/her designated beneficiary, or based on the participant's life expectancy if no beneficiary is designated.

This option is only available to participants upon retirement, attainment of age 50, disability or death. For distributions due to death, this option may be exercised only if the beneficiary is the surviving spouse of the deceased participant. Also, as a reminder, the participant's account balance must be greater than \$5,000 at the time the request is made.

Note: Participants who sever employment with account balances greater than \$5,000 will be able to choose from Options B, C, D and E or any combination of these options (subject to meeting the more specific conditions).



Participants with Account Balances of \$5,000 or Less

Participants with account balances of \$5,000 or less when a request is made will be able to choose from among the following three options or any combination of these options.

- ◆ Lump Sum Distribution (in the form of a check)
- ◆ Defer the Distribution
- ◆ Rollover to an IRA or other Qualified Retirement Plan

The same conditions and details apply for these three distribution options as those listed for participants with account balances greater than \$5,000.

- ◆ Option A, **Purchase of Service**, is available to employees upon retirement only, regardless of their account balance (the \$5,000 threshold does not apply).
- ◆ Option E, **Installment Payments**, is not available as a distribution option for participants with \$5,000 or less.

Other Types of Distributions

ACS will also process:

- ◆ **Required Minimum Distributions** for Choice Plan participants who are no longer active members and are older than age 70½. Participants who meet these criteria will receive a letter from PERSI informing them they will begin receiving required minimum distributions from their accounts. ACS will issue the first distribution by April 1 of the year following the year in which the participant attains age 70½. Subsequent distributions will be processed annually in December.
- ◆ **Approved Domestic Retirement Orders (ADROs)**. ACS will process these distributions only upon receiving approval from PERSI and will establish an account for the ADRO recipient in accordance with the court decree and PERSI's instructions.
- ◆ **Automatic payout to inactive member** when the account balance falls below \$200. ACS monitors the balance of all accounts each month. If the balance in the account of an inactive member falls below \$200, ACS processes a distribution, and closes the account. Different factors can cause the account balance to fall below \$200.
 - The account may be slightly over \$200 when the member terminates, then the market value drops, and the account is then captured in the monthly "Under \$200" report. An automatic distribution is made.
 - The member may have had a larger balance, taken a partial distribution, and the account balance drops to under \$200. An automatic distribution is made.



Recap of Choice Plan Termination Distribution Options

	ACCOUNT BALANCE GREATER THAN \$5,000					Balance Less than \$5,000	ADRO [Approved Domestic Retirement Order]
	Retirement	Disability	Death Beneficiary Spouse	Death Beneficiary Non-Spouse	Termination		
Purchase of Service	Y*	N	N	N	N	N**	N
Lump Sum Payment	Y	Y	Y	Y	Y	Y	Y
Defer Distribution & leave money in plan	Y	Y	Y	Y	Y	Y	Y
Rollover	Y	Y	Y	N	Y	Y	Y
Installment Fixed Amount	Y	Y	Y	N	N***	N	N
Installment Substantially Equal Payments	Y	Y	Y	N	N***	N	N
Combination Lump Sum/ Installment	Y	Y	Y	N	N***	N	N
<p>* If a participant terminates for a reason other than retirement, disability or death, but does not take a distribution until he/she reaches normal retirement age, the individual may select any distribution option except Purchase of Service.</p> <p>** Purchase of Service is available without regard to account balance; however, it is only available to retirees.</p> <p>*** Upon attainment of age 50, participants who terminate can elect to receive installment payments as a distribution option.</p>							

Terminating from the PERSI Choice Plan

ACS automatically mails a *Termination Confirmation* statement to inactive Choice Plan participants. The confirmation is generated by ACS after receiving the employee's termination date and reason for termination from the employer via PERSI. The timing of the confirmation mailing is determined by whether the participant worked for the State of Idaho or for another employer participating in the PERSI Base Plan.

State Employees

ACS waits for a period of 45 days following the participant's termination date to determine if another State employer rehires the individual. If the individual is not rehired within 45 days, a confirmation is mailed.

All other Employees

A confirmation is mailed by ACS within ten business days of receiving the termination date and reason.

The confirmation statement explains the distribution options available and provides a telephone number so that the participant may contact an ACS representative to request a Termination Kit and discuss the distribution options.

Distribution Kits are also available on the Web site. The kits include:

- ◆ Letter that explains the distribution options available from the Choice Plan
- ◆ Brochure entitled "You are About to Receive a Large Sum of Money"



- ◆ “Special Tax Notice Regarding Retirement Savings Plan Payments” - a 402(f) notice (This notice summarizes the federal tax rules that might apply to the individual’s distribution.)
- ◆ “Request for Distribution/Rollover” Form on which the participant selects the method of distribution and add his/her signature

If the former employee elects to receive a distribution from the Plan, he/she completes the Request for Distribution/Rollover Form in the kit and sends it directly to ACS. Upon receipt, ACS will process the distribution (and mail a check, if requested) within three business days.

The normal retirement age under the Choice Plan is fifty years of age.

Examples of Distributions from the Choice Plan

Participant's Action	Result
Alice Bartlett had a gain sharing contribution allocated to her account in February 2001. She made employee voluntary contributions to the Plan, deferring 10% of her salary each payroll period. She also rolled over the balance from her retirement plan with a prior employer. In December 2006, she wanted to withdraw a portion of her account balance from the Choice Plan but she did not qualify for a hardship withdrawal. Her hardship does not meet the plan criteria for a hardship distribution.	Ms. Bartlett is permitted to take a non-hardship (Rollover) withdrawal from the Plan, which represents the contribution she made to her Choice Plan account from the rollover of her prior employer’s retirement plan. She requests the withdrawal directly from her account by telephoning the Choice Plan VRS and follows the automated system instructions. ACS mails the distribution check to Alice within three business days.
Donald Case had a gain-sharing contribution allocated to his account in February 2001. His PERSI employer made an additional employer contribution to his account. He made employee voluntary contributions to the Plan, deferring 2% of his salary in each payroll period. In October 2006, at age 49, he terminated employment from PERSI. Donald wants to receive his distribution from the Choice Plan in the form of a check representing his total account balance. His total account balance is \$3,498.75.	Mr. Case elects to receive his distribution in the form of a lump sum payment. He receives a check for the entire balance of his account less income taxes. Note: Mandatory federal income tax withholding of 20% is applied to Mr. Case's distribution. In addition, since Mr. Case is under the age of 59½, he is subject to an additional 10% penalty for receiving a premature distribution. ACS does not deduct the additional 10% from his check. Mr. Case is responsible for the penalty in the preparation of his 2006 income tax return.
Arthur Gobel is age 60. In November 2006, he retires from his position with PERSI. He wishes to receive the balance of his account in equal monthly payments of \$200. At the time he retires, his account balance is \$5,204.63.	Mr. Gobel elects to receive his distribution in the form of fixed dollar monthly installments. He receives a check for \$200 each month until his account is depleted. His final payment most likely would not equal \$200; rather it would be for the remaining dollars in his account at the time. Note: Although this does not apply to the example of Mr. Gobel's account, participants selecting the fixed dollar installment distribution option must receive payments over a period not to exceed 120 months.



Section 2—Other Choice Plan Options

Participant's Action	Result
Dana Wood made employee voluntary contributions to the Plan, deferring 6% of her salary in each payroll period. On December 15, 2006 she terminates employment from PERSI. Dana wants to leave her entire balance in the Plan. At the time of her termination, her account balance is \$4,995.74.	<p>At the time of her termination, Ms. Wood would elect to retain her balance in the Choice Plan. A monthly maintenance fee of \$2.50 would be deducted from Ms. Wood's account, beginning with the calendar month commencing 90 days after her termination date (in this example, April 2002).</p> <p>Note: Participants who defer some but not all of their account balance at the time of termination must complete a Request for Distribution/Rollover Form. Only participants who leave their entire balance in the Choice Plan do not have to complete this paperwork.</p>
Chuck Pratt is leaving his job with the State to work for the County. He wants to withdraw his Choice Plan account when he terminates employment with the State. His total account balance is \$22,127.05, including \$176.70 of gain sharing, \$21,911.06 of salary deferrals, and \$39.29 of employer contributions.	Because Chuck is going to another PERSI employer, he is not able to take a distribution from the Choice Plan. He can take a loan from his account, up to \$10,975.17. This amount is 50% of the total of his contributions plus his employer contributions; gain sharing contributions are not included in the calculation of the maximum amount that is available for a loan.
Sandy Ellis wants to take a loan from her Choice Plan account. Her balance is \$2,123.62. That includes \$591.15 of gain sharing, \$775.46 of salary deferrals, and \$757.01 of employer contributions.	Even though Sandy has more than \$2,000 in her Choice Plan account, she is not eligible for a loan. The gain sharing contribution is not included in the calculation of the maximum amount that is available for a loan, which reduces her account to \$1,532.47. That is less than the \$2,000 minimum balance requirement for a loan.



Section 3—Participation Service and Account Access

How Participants Access Account Information

Participants can obtain general information about the Choice Plan as well as specific information regarding their own accounts from three (3) sources:

1. By telephoning a toll-free number that connects them to an automated VRS.

Access to a Toll-Free Automated Voice Response System

1-866-437-3774 (1-866-ID-PERSI)

2. By requesting to speak with an ACS CSR (participants will be connected to a CSR if they select a specific option within the Voice Response System).

Access to a Customer Service Representative

3. By accessing a PERSI Web site that provides a direct link to their account at ACS.

Access to a PERSI Web site

www.persi.idaho.gov/choice.htm

Accessing ACS

ACS is there for PERSI participants. ACS maintains its own Participant Services Center. The core technology of the center is an automated, state-of-the-art, voice response system. The VRS allows participants to access their accounts by telephoning a toll-free number, following the recorded instructions as prompted on the system and pressing a sequence of keys on the keypad of any standard touch-tone telephone.

Accessing the PERSI Choice Plan Voice Response System

The participant calls 1-866-ID-PERSI (1-866-437-3774) and hears:

- ◆ Thank you for calling the PERSI Choice Plan. If you do not have a Choice Plan account, or just want information on the PERSI Base Plan, please call 1-800-451-8228. For financial education information, please call 1-800-453-0321. If you want Choice Plan account information, please enter your Social Security Number.

The participant enters his/her Social Security Number and hears:

- ◆ Please enter your Personal Identification Number (PIN). After entering the PIN, the participant hears the Main Menu Options.

Accessing a CSR

ACS staffs its center with trained CSRs. These CSRs are available to assist PERSI participants, and ACS ensures its CSRs are well prepared to handle participants' inquiries.

- ◆ CSRs retain Series 6 and 63 licenses from the National Association of Securities Dealers (NASD) in order to speak knowledgeably and provide accurate information only on investment products like mutual funds. CSRs are qualified to give information only, not financial advice.
- ◆ CSRs are trained on using ACS systems applications so they can locate account information efficiently and respond to participants' inquiries accurately.



- ◆ CSRs have been trained to uphold the highest standards of customer service as they converse with participants in a polite and helpful manner.

Participants should telephone the automated VRS at 1-866-ID-PERSI (1-866-437-3774).

- ◆ After entering their Social Security Number and PIN into the system, they will have several options from which to choose, one of which is to speak with an ACS CSR.

Choice Plan CSRs are available from 9:00 a.m. to 8:00 p.m. eastern time (7:00 a.m. to 6:00 p.m. mountain time) Monday through Friday. For recorded information, the automated system is available 24 hours a day, 7 days a week.

PERSI participants are encouraged to use the Web site as much as possible. Although they will receive the same kinds of information from both sources, using the Web site will enable them to obtain the information in less time. However, CSRs will be available should the participant have a more detailed question or simply wish to speak with a representative via the automated voice response system.

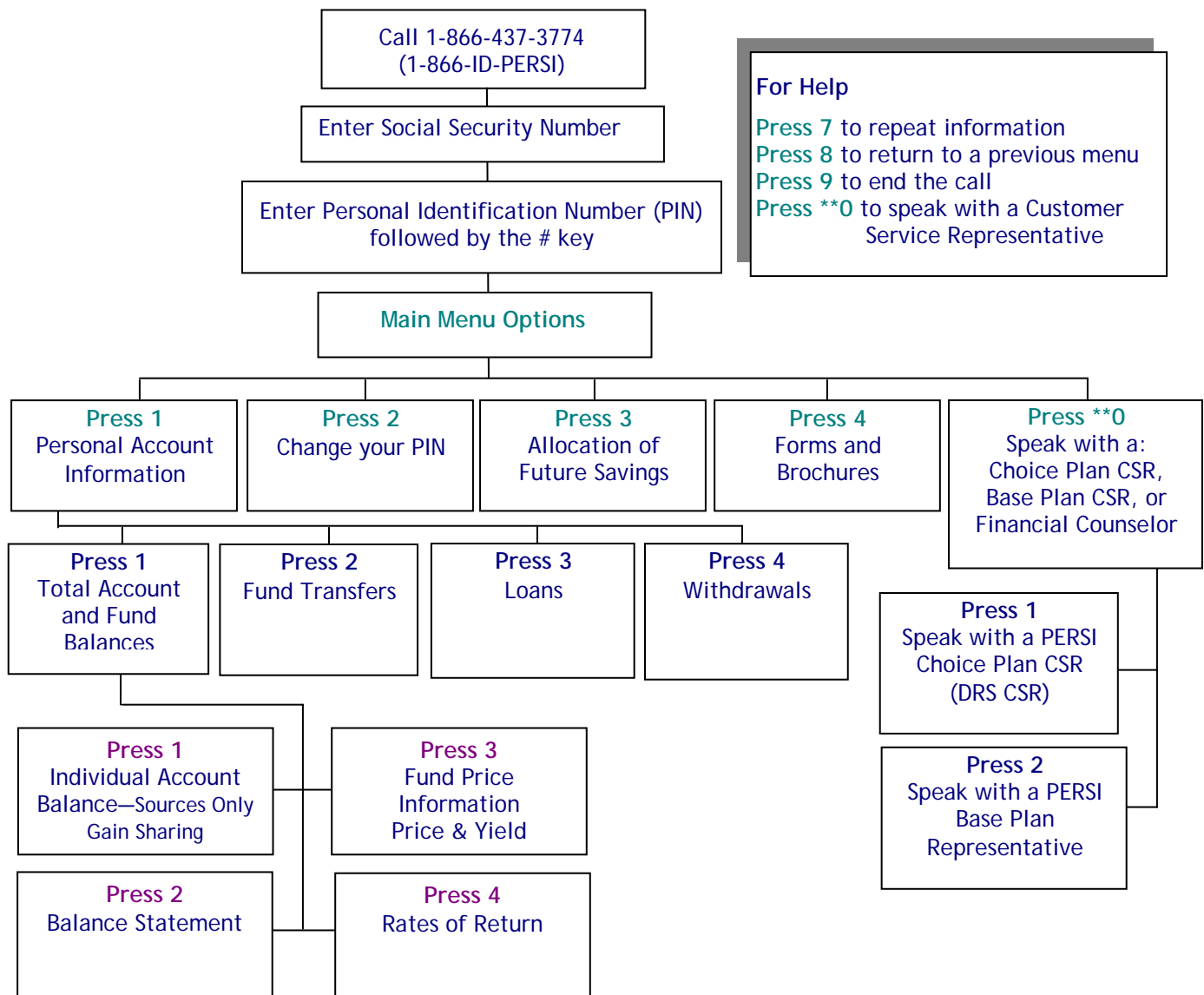
Base Plan Accessible through the Choice Plan Voice Response System

In addition to speaking with an ACS CSR who is able to provide information on PERSI Choice Plan accounts, participants will also be able to connect to a PERSI Employee Service Representative who can assist them with questions on their Base Plan account.

PERSI representatives are available Monday through Friday 8:00 a.m. to 5:00 p.m. mountain time.



Quick Reference—PERSI Choice Plan Voice Response System



For Help

Press 7 to repeat information
Press 8 to return to a previous menu
Press 9 to end the call
Press **0 to speak with a Customer
Service Representative



Accessing the PERSI Choice Plan Web Site

The Internet is a third alternative that participants have to obtain general information about the Choice Plan as well as specific information regarding their own accounts.

The PERSI Choice Plan Web site is located at <http://www.persi.idaho.gov/choice.htm>

This is PERSI's Web site for the Choice Plan. Participants click *Choice Plan Account Information* and enter their Social Security Number and 6-digit PIN on the *Participant Account Access* screen. The same types of information that are available on the VRS and from a Choice Plan CSR are also available from the Web site, and participants are able to obtain some additional, unique information on the Web site.

Note: The 6-digit PIN used to access an account via the Internet is the same 6-digit PIN used to access the account through the VRS.

Available only through the Voice Response System or PERSI Choice Plan Web site

Participants must use the VRS or the PERSI Choice Plan Web site to change their Personal Identification Numbers or PINs. CSRs are not authorized to change PINs. This procedure is adhered to for security purposes; only the Choice Plan participant should know his/her own PIN to gain access to one's account.

Available only through a CSR

- ◆ Information on checks issued for participant distributions
- ◆ Requests that involve researching a participant's account
- ◆ The dollar amount necessary to pay off an outstanding loan and request a Loan Payoff Kit on behalf of the participant

Available only on the PERSI Choice Plan Web site

- ◆ Information on how the Choice Plan operates (Plan Guidelines)
- ◆ General Information about ACS HR Solutions
- ◆ How to Contact ACS (with Plan information)
- ◆ Portfolio Manager Commentaries
- ◆ Savings Calculator Tools
- ◆ Links to Other Investment Sites (e.g. Barron's, Bloomberg, Forbes, etc.)



**Available on the Web, Voice Response System, and from a CSR
(requires SSN and PIN)**

- ◆ Total Account Balance
- ◆ Account Balance by Fund
- ◆ Account Balance by Source
- ◆ Vested Account Balance
- ◆ Fund Prices (Unit Values or Net Asset Values)
- ◆ Fund Performance
 - ◆ On VRS 1, 5, and 10-year Fund Performance results are available
 - ◆ On the Web site, Quarter-End, Year-To-Date, and 1, 3, and 5-year Fund Performance results are available
- ◆ PERSI Total Return Fund Prospectus and Fact Sheets for all other Funds
- ◆ Plan Guidelines (not available on the VRS)
- ◆ Change a PIN Number (not available through CSRs)
- ◆ Issue a PIN Reminder Letter
- ◆ Transfer Balances Between Funds
- ◆ Review Current Salary Deductions
- ◆ Review Current Investment Elections & Model Election Changes
- ◆ Change Investment Elections
- ◆ Request a Rollover Withdrawal
- ◆ Request an Age 59½ Withdrawal
- ◆ Request a Hardship Withdrawal Kit
- ◆ Request a Distribution Kit
- ◆ Obtain Information on Outstanding Loans (Loan Status)
- ◆ Model New Loans
- ◆ Request a General Purpose Loan (not available through CSRs)
- ◆ Request a Loan Package

System Requirements

The recommended minimum browser versions for this Web site are:

- ◆ Netscape Communicator/Navigator browsers, versions 4.75 or higher
- ◆ Microsoft Internet Explorer, version 5.0 or higher

To protect your confidentiality, the Web site uses 128-bit Strong Encryption (SSL 3.0). Both Netscape and Internet Explorer browsers support this security level. You must opt for the security feature at the time you download and install your browser.



Comparison of VRS, CSR, and Internet Services

Type of Information/Service	Web	VRS	CSR
About ACS HR Solutions	Y	N	N
How to Contact ACS (with Plan Information)	Y	N	N
Total Account Balance	Y	Y	Y
Account Balance by Fund	Y	Y	Y
Account Balance by Source	Y	Y	Y
Vested Account Balance	Y	Y	Y
Fund Prices (Unit Values or Net Asset Values)	Y	Y	Y
Fund Performance (1, 5, and 10-year)	N	Y	Y
Fund Performance (Quarter-end, Year-to-Date, 1, 3, and 5-year)	Y	N	N
Request Prospectus (for PERSI Total Return Fund) and/or Fact Sheets for all other Funds	Y	Y	Y
Change a PIN Number	Y	Y	N
Issue a PIN Reminder	Y	Y	Y
Transfer Balances Between Funds	Y	Y	Y
Review Current Salary Deductions ¹ (Deferral Percent Elections)	Y	Y	Y
Review Current Investment Elections (for Allocation of Future Contributions) & Model Changes	Y	Y	Y
Change Investment Elections	Y	Y	Y
Request a Rollover Withdrawal	Y	Y	Y
Request an Age 59½ Withdrawal	Y	Y	Y
Request a Hardship Withdrawal Kit	Y	Y	Y
Request a Termination Kit	Y	Y	Y
Obtain Information on Outstanding Loans (Loan Status)	Y	Y	Y
Model New Loans	Y	Y	Y
Request a Loan Package ²	Y	Y	Y
Request a General Purpose Loan	Y	Y	Y
Obtain Loan Payoff Information / Request a Loan Payoff Kit	N	N	Y
Information on Check Processing	N	N	Y
Account Research Capabilities	N	N	Y
Choice Plan Guidelines	Y	N	Y
Portfolio Manager Commentaries	Y	N	N
Links to Other Investment Sites	Y	N	N
Savings Calculator Tools	Y	N	N

Note 1: Participants can review current deferral percent elections (percentage deferred from salary as Employee Voluntary contributions to the Plan). Participants may not change these elections through the VRS or by speaking with an ACS CSR. Participants must submit a new Deferral Election Form to their employer's payroll department to change the deferral percentage.

Note 2: To apply for a general purpose loan, the participant should access the Web site or the VRS using their Social Security Number and PIN, or request a loan package from an ACS CSR. For a Primary Residence Loan, participants must first request a Loan Package, complete an application, and return it along with the required documentation to ACS for processing.



What Does Some of This Information Mean?

Total Account Balance

Total account balance refers to the participant's total balance in the **PERSI Choice Plan**.

Account Balance by Fund

Account balance by fund indicates the amount of the participant's balance in each of the plan's eleven investment funds.

Account Balance by Source

Account balance by source represents the participant's balance in each contribution account—Employee Voluntary, Employer, Gain Sharing, Rollover, Prior Employee Voluntary and Prior Rollover.

Note: All *Employer Matching Contribution* and *Additional Employer Contribution* balances will be combined and reported as one "**Employer Contribution**" account balance on the ACS participant record keeping system. Accordingly, the Voice Response System will also report them as a single balance.

Vested Account Balance

The vested balance equals the dollar amount the participant is entitled to receive upon termination or retirement.



Section 4—PERSI Access to Member Account Details

PERSI Representatives Access to Participant Account Information

A few employees at PERSI have special Internet access to view the same information that participants view on their own accounts, except that the PERSI representatives do not have access to the “transaction” menu that the participant does. In addition, these same PERSI representatives have special Internet access to view Plan-level and demographic information for the Choice Plan. ACS calls this feature “Internet Plan Sponsor Reporting” because Plan Sponsors can obtain detailed information about the Plan by viewing management-level reports, view trends from month to month and use the data to make informed decisions about the operation of the Plan itself.

How does Internet Plan Sponsor Reporting work?

PERSI management decides which employees should have access to the Participant-level and Plan-level information and submits those requests to ACS. ACS establishes access to these designated individuals. On the fifth business day of each month, ACS places the plan-level data for the preceding month onto the Internet. As the report information for successive months is added, the data for the most recent twelve months is always retained. This allows the Plan Sponsor to go back to previous points within the last year and view historical data. For the PERSI Choice Plan, the first month for which plan-level data exists is February 2001, the month in which the Year 2000 gain sharing contribution was allocated to participant accounts.

Types of Plan Information Reported on the Plan Sponsor Screens

The Plan Sponsor Internet screens disclose information about the Plan's activity.

Asset Allocation

Shows the allocation of the Plan's assets across all investment funds.

Contribution Activity

Shows the total dollars deposited to the Plan per contribution type or source.

Distribution Activity

Details the total number of distributions processed and the total dollars paid to participants for each type of distribution.

Enrollment, Allocation Changes, and Vesting Status Activity

Includes the number of participants newly enrolled, the total number of changes participants have made to their contribution investment elections, and the number of fully vested, partially vested and non-vested participants.

Loan Activity

Shows the total number of loans outstanding from the Plan and the balance of these loans, i.e. the total dollar amount that is expected to be re-paid across all participants with outstanding loans.

Demographics

Includes the Plan's asset allocation by participant age range, total participants within each age range, total participants by account balance within specified dollar ranges, total participants invested in each fund, and total participants by years of service.



PERSI—Public Employee Retirement System of Idaho

1-866-437-3774

1-866-ID-PERSI

www.persi.idaho.gov/choice.htm